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HOLD
TP: Rs 1,547 | ▲ 2%

TECH MAHINDRA | IT Services | 17 July 2026

Likely to lead Tier-1 pack in FY27. Valuation caps upside

- **1QFY27 revenue beat was significant with outlook indicating more to come. Likely to outperform our 1.3% CQGR for rest of FY27**
- **Likely growth leader in FY27 among Tier-1s. 15% EBIT margin delivery in FY27 expect ~150bps expansion over FY27-29 to drive EPS growth**
- **Raise EPS and Target PE multiple. Already high PE premium vis-vis Tier-1 peers forces us to retain Hold. PE overshoot possible**

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Strong revenue performance: Against our flat QoQ estimate it delivered 2.6% growth in CC terms. ~130bps came from an unexpected early execution of a deal which will not recur in 2Q. Even without this growth was strong.

Likely revenue growth leader among Tier-1: With a third consecutive quarter of net new TCV of US$1bn+ we believe Tech M can drive at least 1.3% CQGR revenue growth implied by our FY27 USD revenue growth of ~6.5% (with decent upside revision potential). It will likely be a revenue growth leader in the Tier-1 set.

Poised to deliver on the goals of its 3-year transformation: Back in April 2024, Mohit Joshi, then new Tech M CEO, had promised better than peer average growth by FY27, EBIT margin of 15% and ROCE >30%. Barring some big macro disruptions, Tech M is going to deliver on these goals.

Picture beyond FY27: While Tech M had hinted at high-teen margin number in line with that of its peers, we believe that move will likely be gradual considering challenging demand environment not just due to macro but also due to AI related disruption. Believe it may want to remain in the top quadrant on revenue growth and want to invest back into the business and show modest EBIT margin expansion.

Raise estimate and target multiple but retain HOLD rating: Post 1QFY27, we raise USD revenue, EBIT margin and EPS for FY28-FY29. We raise Target PE multiple to 16.9x (premium to benchmark raised from 10% to 20% due to a good revenue and margin outlook) on June '28 EPS. Rating maintained at HOLD. Tech M has been our preferred pick in Tier-1s since reinitiation on 1 Jan 2025. Faster revenue growth and some EBIT margin improvement beyond FY27 will drive fastest EPS growth rate over peer set. However, remain cautious on sector as it is undergoing disruption due to AI. The likely uncertainty surrounding likely winners and losers of this disruption makes us cautious in aggressively recommending stocks. Besides, Tech M is already trading at ~20% premium to Infosys/TCS. However, we do not rule out investors overpaying for a company that could deliver double digit earnings growth among the Teir-1 set in the foreseeable future.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	TECHM IN/Rs 1,510
Market cap	US$ 14.1bn
Free float	65%
3M ADV	US$ 40.0mn
52wk high/low	Rs 1,854/Rs 1,304
Promoter/FPI/DII	35%/19%/37%

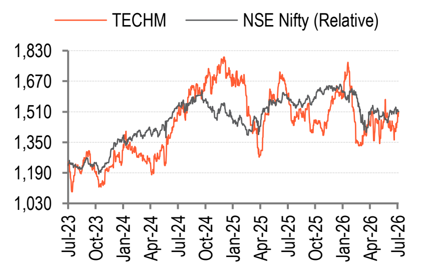
Source: NSE | Price as of 16 Jul 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	568,154	645,179	685,293
EBITDA (Rs mn)	90,341	117,039	129,651
Adj. net profit (Rs mn)	50,741	71,092	84,319
Adj. EPS (Rs)	57.3	80.3	86.9
Consensus EPS (Rs)	57.3	77.0	84.6
Adj. ROAE (%)	17.8	23.6	26.7
Adj. P/E (x)	26.4	18.8	17.4
EV/EBITDA (x)	15.7	12.2	11.1
Adj. EPS growth (%)	19.7	40.3	8.2

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Key Points from the quarter and the earnings call

- Revenue stood at US$1,660mn, up 2.6% QoQ (beating our estimate of flat QoQ CC growth) and 6.6% YoY in CC terms. This was driven by broad-based growth across key verticals, progress in the AI-led strategy and strong client engagement across markets
- Organic constant currency revenue grew 2.5% QoQ and 6.2% YoY
- Vertical Performance (USD terms)
  - Manufacturing grew 9% QoQ and 17.2% YoY. This was driven by sustained aerospace momentum and earlier than planned execution of a large European automotive program, resulting in higher revenue during the quarter. Management said that the focus remains on aerospace, industrial and process manufacturing and they continue to see strong client interest in intelligent data-driven operations
  - BFSI grew 2.7% QoQ and 8.1% YoY. The vertical continues to see healthy demand across payment modernization, wealth platforms, regulatory compliance, identity and access management and AI-led transformation
  - Healthcare & Life Sciences grew 2.5% QoQ and 7.2% YoY, supported by providers and life sciences, with opportunities emerging in vendor consolidation and AI-led discretionary spending
  - Communications declined by 1.3% QoQ and grew 1.3% YoY. Underlying Communications business remained healthy, supported by large deal ramp-ups and growth in top clients. Core business grew sequentially, while reported performance was impacted by Comviva seasonality and a one-time transition related to post-acquisition integration and in-sourcing of cloud revenue
  - Technology, Media & Entertainment declined 1.7% QoQ and grew 3.4% YoY. Decline was due to continued volatility in client spending
  - Retail, Logistics and Transport grew 1.2% QoQ and 8.6% YoY driven by e-commerce expansion, logistics modernization, automation, warehousing and last-mile delivery optimization
- EBIT margin stood at 14.4% (our estimate was 14.6%), up 60 bps QoQ and 330 bps YoY. Margins expanded for the 11th consecutive quarter
  - Margin expansion was driven by volume growth and savings from Project Fortius, partly offset by Comviva seasonality and business mix
- Total deal wins stood at US$1,078 mn, up 0.4% QoQ and up 33.3% YoY, with broad-based wins across key verticals and geographies. This was the third successive quarter of greater US$1bn of TCV all of which is net new. This is after meeting a higher margin threshold internal dynamic that Tech Mahindra has been working with.
- Software headcount stood at 74,689, down by 688 QoQ and 5,298 YoY; LTM attrition at 11.8%
  - Higher productivity in fixed-price engagements, supported by new AI tools, has reduced headcount requirements.

- Management said that the focus remains on strengthening AI capabilities, expanding the platform ecosystem and investing in talent to deliver AI at scale
- **Confident of delivering FY27 ambition of above-peer average growth and 15% EBIT margin. A goal that it had set for itself in April 2024. The margin achievement is commendable as industry revenue growth has come in weaker than what the company had anticipated when the journey started**.
- Acquisition of Canada-based Avant Techno Solutions strengthens capabilities in payments modernization and wealth platforms, in line with the strategy to deepen presence in structurally high-growth payments and wealth segments.
- TechM Helix represents the next phase of AI-led transformation by bringing together platforms, talent, partnerships and innovation to enable AI adoption at scale. Project Helix is positioned as the AI-led transformation equivalent of Project Fortius for margin improvement
- AI adoption is moving beyond pilots into production ecosystems, with Helix enabling scalable delivery through integrated platforms, talent, partnerships, innovation and outcome-based engagements
- Comviva continues to build momentum with revenue growth, margin improvement and a healthy order book
- Pininfarina is preparing for AI-led transformation of its mobility and architecture businesses while strengthening commercial and operational foundations
- Developed over 350 deployable AI agents across industry and functional use cases, while deepening partnerships with hyperscalers and foundational AI players
- Growth momentum seen in 1Q is expected to continue through the remainder of FY27, barring any unforeseen macroeconomic deterioration
  - Large deal wins secured over the last 12 months are expected to continue ramping up in 2Q, providing a strong growth tailwind
  - Healthcare outlook remains positive, supported by recent deal wins
  - One-off benefit from the European automotive business in 1Q is expected to moderate in 2Q, creating a headwind
  - Order book remains healthy for the rest of FY27
- **Considering the prolonged West Asia war situation, higher crude oil prices and higher interest rates in developed markets we are building in a more cautious 1.3% CQGR in CC revenue growth through the rest of FY27. The chances of outperformance to this number is high.**
- Demand Environment
  - Core demand environment remains relatively stable, although demand patterns are shifting
  - Application development demand is increasingly focused on modernization

  - Enterprise application demand continues to strengthen, with strong demand in ServiceNow, SAP and Salesforce
  - Strong demand continues across data and AI, including cloud AI services, data engineering, Databricks, Snowflake and GenAI frameworks
  - Demand remains weak in manual testing, traditional big data, standalone e-commerce, legacy CRM and legacy infrastructure administration
  - **Competitive intensity remains high, with some competitors adopting irrational pricing behaviour. TechM referred to productivity improvement of as much as 70-80% being promised on some large deals by competitors over 5-years.**
  - Management remains cautiously optimistic on the demand environment and confident in execution for the remainder of FY27
- Client demand is shifting towards agentic workflows, AI-native engineering, autonomous operations, AI-led modernization, responsible AI, model governance and better control over AI consumption and cost
- AI is seen as both opportunity and a fundamental operating model change. Some traditional work will become more productive and require new commercial constructs. At the same time, AI is creating new demand across application modernization, data readiness, agentic operations, trusted deployment, industry-specific AI, sovereign AI, platform engineering, business transformation, and AI governance
- AI is becoming a structural growth driver across delivery modernization, productivity, talent transformation and long-term competitiveness
- Margin improvement over the coming quarters is expected to be driven by both gross margin expansion and SG&A efficiencies
- 1QFY27 gross margin was impacted by seasonal increases in visa and travel costs from 4QFY26 to 1QFY27. Comviva seasonality also negatively impacted gross margin. Earlier than planned deliveries in the European automotive business were also dilutive to gross margin
- SG&A savings continued to benefit from ongoing portfolio company consolidation
- Actions across gross margin and SG&A remain on track to achieve the 15% operating (EBIT) margin target
- Operating margin is expected to improve progressively from the current 14.4%, with 4Q margin targeted to be above 15%
- One of the two large Communications deals did not contribute to 1Q revenue and will begin ramping up only in the subsequent quarters
  - Communications business faced two headwinds in 1Q: Comviva seasonality and a client-specific transition where cloud consumption previously routed through Tech Mahindra is now sourced directly by the client following its acquisition by a larger technology company

  - Volatility continues at a large US telecom client, but Communications is still expected to be a growth driver over the remainder of the year

- QoQ revenue growth trajectory to be reasonably strong for the rest of FY27
  - Accelerated delivery in the European automotive program was a positive surprise and contributed to the stronger-than-expected 1Q performance
  - Management expects the impact from the accelerated delivery to be around ~130 bps in 2Q. This will not repeat in 2QFY26, creating a headwind for sequential growth
  - Ramp-up of the large communications deal, which has not yet started, is expected to offset the impact of the European automotive project. Performance of the remaining business will need to continue improving to offset this headwind and support further growth in 2Q
  - Seasonally stronger quarters ahead, combined with execution of the order book built over the last 12 months, provides confidence for the remainder of FY27
- Transformation strategy has focused on building deep domain expertise across industry verticals from the outset. Deep vertical capabilities are emerging as a key differentiator driving growth. Ability to combine deep process knowledge with proprietary AI capabilities is viewed as a key competitive differentiator
- Beyond FY27, the balance between further margin expansion and capability investments will be calibrated based on growth opportunities
- Management has deliberately avoided pursuing commercially aggressive commitments where long-term economics are considered unsustainable
- Annual wage hikes will become effective from 2Q and will be implemented in a phased manner
- Management does not see any unusual increase in contract signing delays or cancellations.
- Shift towards offshore delivery is expected over time, but the onsite-offshore mix will remain influenced by the nature of new large deals where there has been rebadging. Also Tech M has seen reasonably strong demand from Enterprise package implementation work that tends to be more onsite centric.
- Manufacturing comprises both Automotive and Aerospace, with Aerospace remaining a strong growth driver
  - Aerospace demand remains strong across both IT and engineering services
  - Automotive clients continue to focus on AI-led cost reduction and faster turnaround of system changes
  - Some US automotive clients that cut spending last year have started increasing spending again
  - Management is not seeing the same level of Automotive stress as some peers, although productivity pressure remains high

We have an Underweight stance on Indian IT Services

We reinitiated coverage on the Indian IT Services with an Underweight stance through a report on 1 January 2025 (**Slow is the (new/old) normal**) and reiterated our view with updates on 12th March 2025 (**FY26 unlikely to be better than FY25**), 10th July 2025 (**Uncertainty stays and 'eating the tariff' may impact even FY27**) and 12 January 2026 (**A fourth slow year?**).

While both earnings and PE multiples have corrected since 1 Jan 2025, the industry's structural organic revenue growth from here on will be much lower vs ~7% CAGR seen during FY15-FY20; possibly ~2-3% CAGR over FY25-FY30 in constant currency (CC) terms.

We believe the release of advanced AI models will cause significant disruption to the industry rendering the sector to be a 'value trap'. We wrote about this in our 17 February 2026 report (**Existential threat, value trap or Temporary blip**) and through our 6 April 2026 report (**Narrative of FY27 being modestly better, set for its first test**).and the 9 July 2026 one (**'Show me the growth' phase will keep valuations compressed**)

Multiple speed breakers drive our Underweight stance

Gen AI and GCCs are going to disrupt growth: We believe that AI/Gen AI will lead to compression of revenue for the industry in the next 12-24 months, as companies self-cannibalize to hold on to their existing clients. Rapid growth of the GCCs is a threat to outsourcing. While there seems to be collaboration between outsourcers and their clients in setting up these GCCs, there will be growth discontinuity when the business is insourced at some point.

Massive hyper scaler AI capex should accentuate re-alignment in IT spend: Software players, including hyper scalers, are increasing capex on AI-related data centres. This will drive higher pricing, forcing enterprises to allocate more IT spend to Cloud/SaaS and move it away from the ones with lower bargaining power – global IT Services players.

Higher competition: Indian Tier-1 companies now face higher competition from Accenture, Tier-2 players and Cognizant, likely slowing their growth vs FY15-FY20. This is besides the fact that by FY26, Tier-1 revenue has reached US$ 85bn, double that in FY15 (6.5% CAGR). Due to the higher base now, growth may not be as rapid. In AI reinvention services we see a new set of competitors come in the forms of AI deployment companies from Anthropic, Open AI, Microsoft, Google etc. While professional services companies of software players did not make much of an impact in the past, we believe the situation could be different this time. With the requirement of a large army of offshore bodies being taken away by AI models, we believe players with high technical skills and deep domain and workflow expertise will become competitors. We will have several players from other industries as well senior management personnel from current incumbents to step out and startup companies and compete with the incumbents.

How we are valuing companies: We are using PE methodology. However, we are moving away from the earlier stance that we had taken of using TCS as our industry benchmark and using 16.8x (average PE multiple of TCS over the last 10 years less 1.5SD) as the Target PE multiple. We have been giving subjective premium/discount to this benchmark target PE to arrive at target PE multiples for the rest of our coverage

Considering the underperformance of TCS in terms of growth in FY26 and the likelihood of that repeating in the foreseeable future we have decided to shift from using TCS as the benchmark and move to Tier-1 PE multiple based valuation. That too using the valuation seen in the FY15-FY20 timeframe when the Tier-1 USD revenue CAGR was ~7% in organic terms. Our analysis indicates that Tier-1 (consisting of TCS, Infosys, HCLT, Wipro and Tech Mahindra) were collectively trading at mean multiple of 17.6x forward EPS with an SD of 1.7. We are using 14.1x as the benchmark multiple for the basis of valuation which is mean multiple of Tier-1 companies during this period less 2SD. We have been giving subjective premium/discount to this benchmark target PE to arrive at target PE multiples for the rest of our coverage

Our target PE multiples are lower than those used by consensus/competitors**.** Through our choice of the benchmark target PE multiple, we seek to capture the mortality and relevance risk that players face in this era of advanced AI models.

Tier- 2 valuation reflects growth gap with Tier-1

Tier-2 set has been taking away market share from the Tier-1 set, due to better execution as well as their smaller size. And, unlike previous cycles, they have performed better than the Tier-1 set, largely on better management teams.

However, current PE premium to Tier-1s is excessive for certain stocks, because to deliver on the high consensus revenue growth expectations, they may be taking on more cost take-out projects that are likely to impact margins adversely.

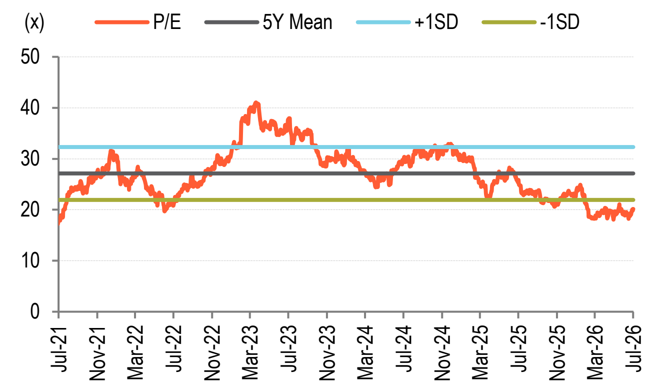
Also, some of the Tier-2s have been underperforming on the growth front, being discretionary project-oriented businesses struggling to pivot to a cost-take-out-driven demand environment.

Fig 1 – Quarterly results: Comparison of actuals with estimates

Y/E March (Rsmn)	1QFY26	4QFY26	1QFY27	YoY (%)	QoQ (%)	1QFY27E	Dev (%)
Net Sales (USD mn)	**1,564**	**1,625**	**1,660**	**6.1**	**2.2**	**1,612**	**3.0**
Net Sales	**133,512**	**150,761**	**157,119**	**17.7**	**4.2**	**152,702**	**2.9**
Direct Cost	95,236	104,018	109,259	14.7	5.0	104,236	4.8
Gross Margin	38,276	46,743	47,860	25.0	2.4	48,466	(1.3)
% of Sales	28.7	31.0	30.5			31.7	
SG&A	18,924	21,090	20,435	8.0	(3.1)	21,301	(4.1)
% of Sales	14.2	14.0	13.0			13.9	
EBITDA	19,352	25,653	27,425	41.7	6.9	27,165	1.0
EBITDA Margin (%)	14.5	17.0	17.5			17.8	
Depreciation & Amortisation	4,581	4,811	4,786	4.5	(0.5)	4,922	(2.8)
EBIT	**14771**	**20,842**	**22,639**	**53.3**	**8.6**	**22,243**	**1.8**
EBIT Margin (%)	**11.1**	**13.8**	**14.4**			**14.6**	
Interest	778	888	1,113	43.1	25.3	888	25.3
Other Income	2,183	(2,047)	(1,064)	(148.7)	(48.0)	1,768	(160.2)
Amortisation of goodwill	0	0	0			0	
PBT	16,176	17,907	20,462	26.5	14.3	23,123	(11.5)
Share of Profit/ (loss) from Associate	5	(1)	(43)			0	
Provision for Tax	4,893	4,342	5,556	13.5	28.0	5,896	(5.8)
Effective Tax Rate	30.2	24.2	27.2			25.5	
Minority share in Profit / Loss	118	26	212	79.7	715.4	26	715.4
PAT (Reported)	**11,406**	**13,538**	**14,651**	**28.4**	**8.2**	**17,201**	**(14.8)**
Margin%	**8.5**	**9.0**	**9.3**			**11.3**	

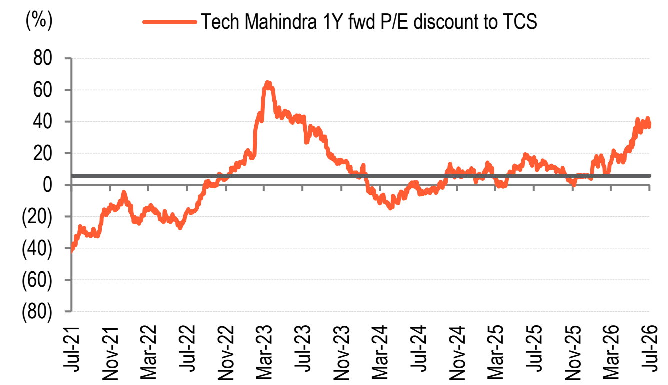
Source: Company, BOBCAPS Research

Fig 2 – 5Y PE trend



Source: Bloomberg, BOBCAPS Research

Fig 3 – Premium/ Discount to TCS



Source: Bloomberg, BOBCAPS Research

Fig 4 – Revised Estimates

	New			Old			Change (%)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
INR/USD	95.0	96.0	97.0	95.1	96.1	97.1	(0.1)	(0.1)	(0.1)
USD Revenue (USD mn)	6,792	7,140	7,489	6,552	6,815	7,148	3.7	4.8	4.8
USD Revenue Growth (%)	6.4	5.1	4.9	2.6	4.0	4.9			
Revenue (Rs mn)	645.2	685.3	726.3	622.9	654.8	693.9	3.6	4.7	4.7
EBIT (Rs mn)	97.4	109.0	119.3	94.1	102.9	111.3	3.5	5.9	7.1
EBIT Margin (%)	15.1	15.9	16.4	15.1	15.7	16.0			
PAT (Rs mn)	71.3	77.1	93.2	73.5	75.4	87.5	(3.0)	2.2	6.5
EPS (Rs)	80.3	86.9	105.0	82.9	85.0	98.5	(3.0)	2.2	6.5

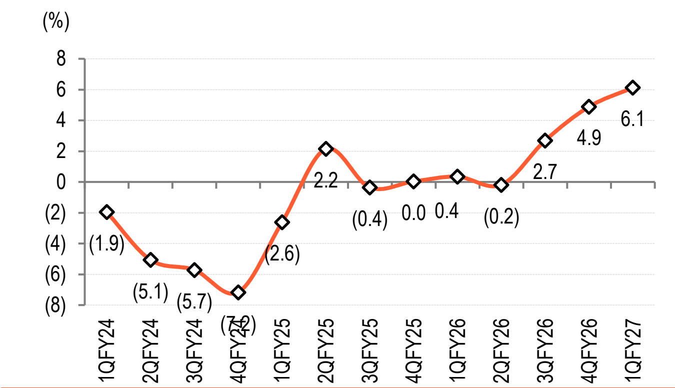
Source: BOBCAPS Research

Fig 5 – P&L at a glance

(YE March) Rs mn	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Average INR/USD	65.6	67.0	64.5	69.9	71.0	74.1	74.4	80.6	82.8	84.6	88.9	95.0	96.0	97.0
Net Sales (US$m)	**4,037**	**4,351**	**4,771**	**4,971**	**5,182**	**5,111**	**5,998**	**6,607**	**6,277**	**6,264**	**6,385**	**6,792**	**7,140**	**7,489**
-Growth (%)	**10.2**	**7.8**	**9.6**	**4.2**	**4.3**	**(1.4)**	**17.3**	**10.1**	**(5.0)**	**(0.2)**	**1.9**	**6.4**	**5.1**	**4.9**
Net Sales	264,941	291,408	307,730	347,421	368,677	378,551	446,460	532,902	519,955	529,883	568,154	645,179	685,293	726,265
-Growth (%)	17.9	10.0	5.6	12.9	6.1	2.7	17.9	19.4	(2.4)	1.9	7.2	13.6	6.2	6.0
Cost of Sales & Services	183,316	205,661	215,299	233,590	259,743	258,555	309,719	381,197	391,146	380,848	398,688	446,400	472,266	498,789
Gross Profit	81,625	85,747	92,431	113,831	108,934	119,996	136,741	151,705	128,809	149,035	169,466	198,779	213,026	227,476
% of sales	30.8	29.4	30.0	32.8	29.5	31.7	30.6	28.5	24.8	28.1	29.8	30.8	31.1	31.3
SG& A	38,289	43,904	45,261	50,463	51,673	51,525	56,540	71,418	79,163	79,124	79,125	81,740	83,375	86,520
% of sales	14.5	15.1	14.7	14.5	14.0	13.6	12.7	13.4	15.2	14.9	13.9	12.7	12.2	11.9
EBITDA	43,336	41,843	47,170	63,368	57,261	68,471	80,201	80,287	49,646	69,911	90,341	117,039	129,651	140,956
% of sales	16.4	14.4	15.3	18.2	15.5	18.1	18.0	15.1	9.5	13.2	15.9	18.1	18.9	19.4
Depreciation	7,620	9,781	10,849	11,292	14,458	14,577	15,204	19,567	18,171	18,529	18,816	19,628	20,677	21,691
% of sales	2.9	3.4	3.5	3.3	3.9	3.9	3.4	3.7	3.5	3.5	3.3	3.0	3.0	3.0
EBIT	**35,716**	**32,062**	**36,321**	**52,076**	**42,803**	**53,894**	**64,997**	**60,720**	**31,475**	**51,382**	**71,525**	**97,411**	**108,974**	**119,265**
% of sales	**13.5**	**11.0**	**11.8**	**15.0**	**11.6**	**14.2**	**14.6**	**11.4**	**6.1**	**9.7**	**12.6**	**15.1**	**15.9**	**16.4**
Amortisation of goodwill	0	0	0	0	2,175	0	0	2,370	4,582	0	0	0	0	0
Interest expenses	871	1,286	1,624	1,332	1,919	1,740	1,626	3,256	3,922	3,217	3,374	4,445	2,178	2,178
Other income (net)	5,322	7,776	14,093	5,342	11,924	7,871	11,123	9,650	9,169	8,554	319	2,891	5,816	6,980
Share of profit from associate				(655)	(55)									
PBT	40,167	38,552	48,790	55,431	50,578	60,025	74,494	64,744	32,140	56,719	68,470	95,857	112,612	124,067
-PBT margin (%)	15.2	13.2	15.9	16.0	13.7	15.9	16.7	12.1	6.2	10.7	12.1	14.9	16.4	17.1
Provision for tax	8,600	10,021	10,925	12,544	11,604	15,999	18,220	15,885	8,276	14,002	17,676	24,405	28,153	31,017
Effective tax rate (%)	21.4	26.0	22.4	22.6	22.9	26.7	24.5	24.5	25.7	24.7	25.8	25.5	25.0	25.0
Minority Interest	412	389	(136)	88	1,356	750	(640)	(257)	(390)	(15)	38	317	140	140
Exceptional Items											2,724	0	0	0
Net profit	**31,160**	**28,136**	**38,001**	**43,194**	**40,166**	**44,272**	**55,637**	**48,531**	**23,511**	**42,451**	**50,833**	**71,302**	**77,121**	**93,190**
-Growth (%)	**18.7**	**(9.8)**	**35.1**	**13.1**	**(6.2)**	**7.3**	**31.5**	**(15.2)**	**(51.2)**	**81.6**	**18.5**	**40.1**	**18.6**	**10.2**
-Net profit margin (%)	**11.8**	**9.7**	**12.3**	**12.4**	**10.9**	**11.7**	**12.5**	**9.1**	**4.5**	**8.0**	**8.9**	**11.1**	**11.3**	**12.8**

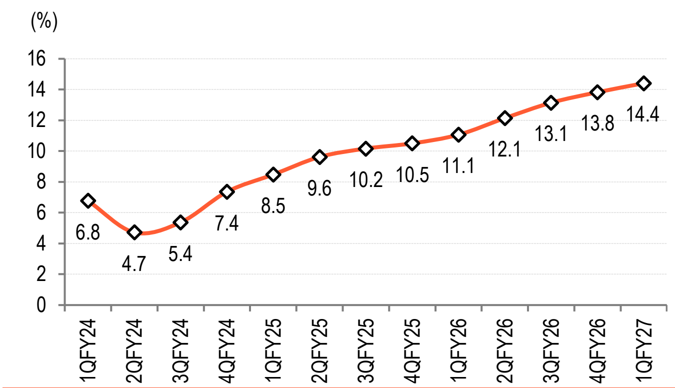
Source: Company, BOBCAPS Research

Fig 6 – YoY USD Revenue growth



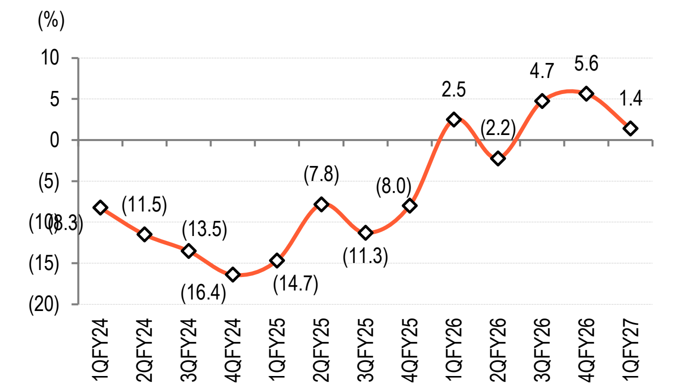
Source: Company, BOBCAPS Research

Fig 7 – EBIT Margin trend



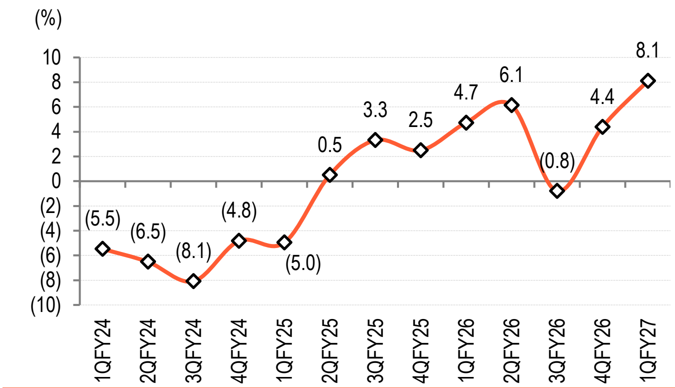
Source: Company, BOBCAPS Research

Fig 8 – Communication (Telecom) Growth (YoY) in USD



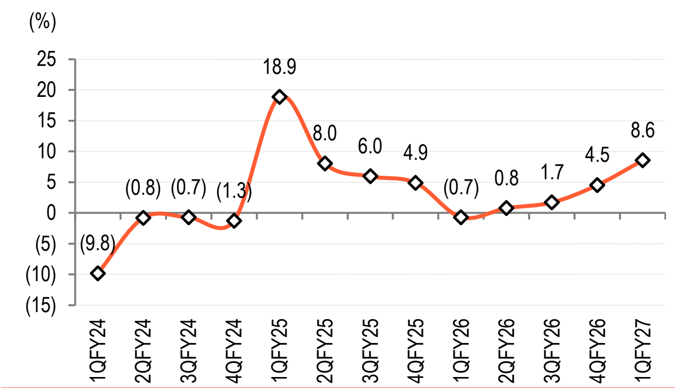
Source: Company, BOBCAPS Research

Fig 9 – BFSI Growth (YoY) in USD



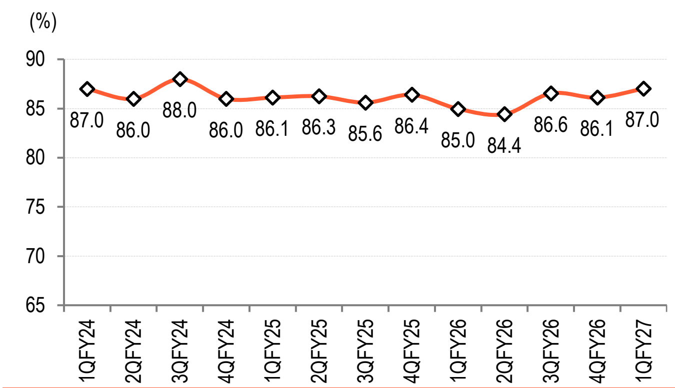
Source: Company, BOBCAPS Research

Fig 10 – Enterprise side Growth (YoY) in USD



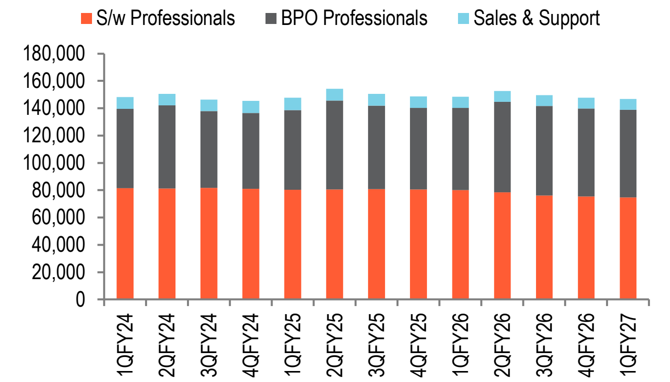
Source: Company, BOBCAPS Research

Fig 11 – IT Utilization (%) (including trainees)



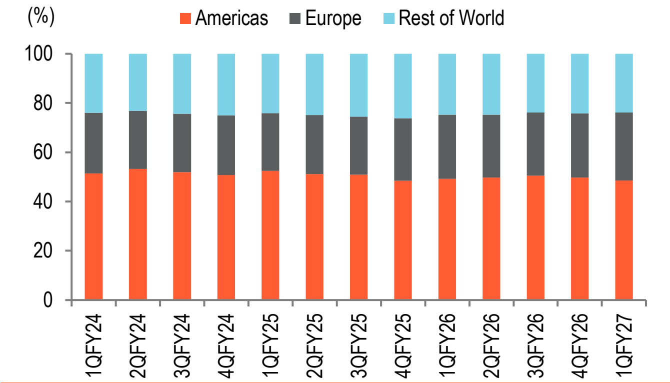
Source: Company, BOBCAPS Research

Fig 12 – Total Headcount trend QoQ



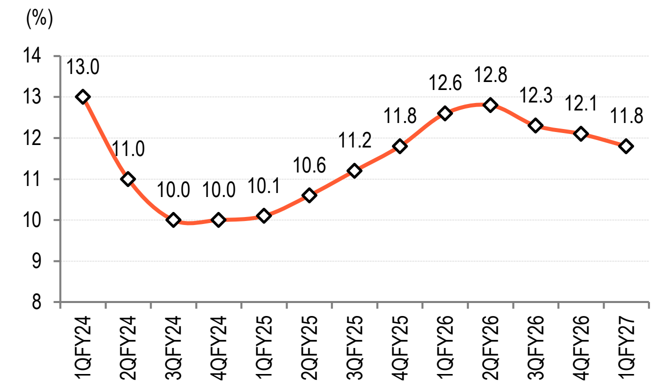
Source: Company, BOBCAPS Research

Fig 13 – Revenue contribution in terms of Geographies



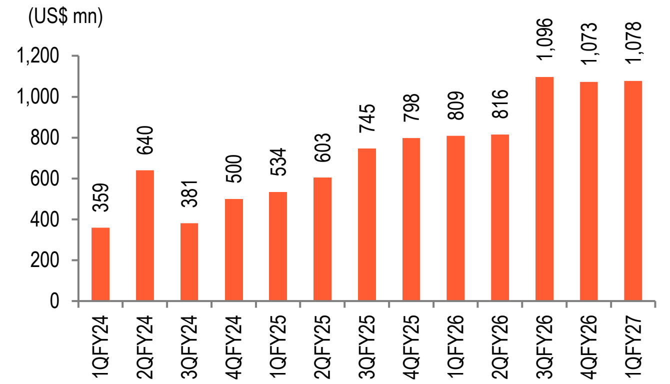
Source: Company, BOBCAPS Research

Fig 14 – TTM Attrition Rate (%)



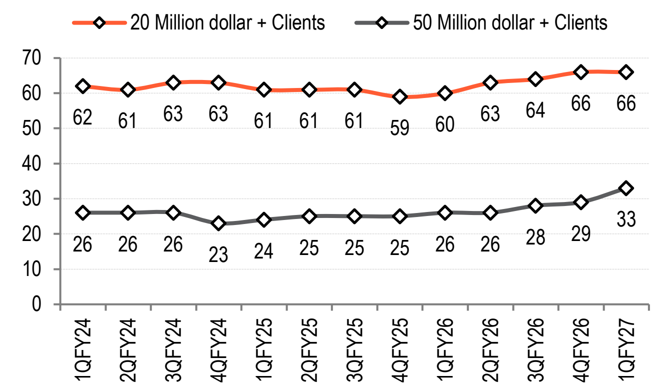
Source: Company, BOBCAPS Research

Fig 15 – Net new deal wins (TCV) trend QoQ



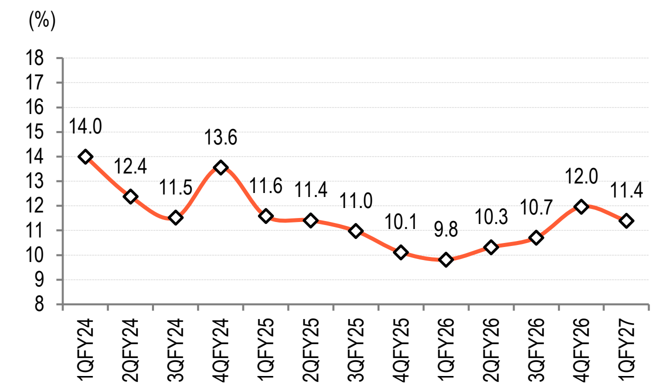
Source: Company, BOBCAPS Research

Fig 16 – Number of clients: >US$20mn and >US$50mn bucket



Source: Company, BOBCAPS Research

Fig 17 – Subcontracting costs as % of revenue



Source: Company, BOBCAPS Research

Fig 18 – Quarterly Snapshot

Year to 31 March	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
Rs Million													
INR/USD	82.2	82.7	83.3	83.1	83.4	83.8	84.7	86.5	85.3	88.2	89.4	92.6	94.6
USD Revenue (USD mn)	1601	1555	1573	1548	1559	1589	1567	1549	1564	1586	1610	1625	1660
INR Revenue	131,590	128,639	131,013	128,713	130,055	133,132	132,856	133,840	133,512	139,949	143,932	150,761	157,119
Gross Margin	33,785	28,887	31,365	34,772	34,523	37,175	38,297	39,040	38,276	40,790	43,656	46,743	47,860
SGA	20,405	18,164	19,900	20,694	18,878	19,673	20,207	20,366	18,924	19,110	20,000	21,090	20,435
EBITDA	13,380	10,723	11,465	14,078	15,645	17,502	18,090	18,674	19,352	21,680	23,656	25,653	27,425
Depreciation	4,466	4,657	4,434	4,614	4,622	4,698	4,588	4,621	4,581	4,687	4,737	4,811	4,786
EBIT	8,914	6,066	7,031	9,464	11,023	12,804	13,502	14,053	14,771	16,993	18,919	20,842	22,639
Other income (net)	1,917	2,642	875	3,735	1,447	5,215	165	1,727	2,183	400	(217)	(2,047)	(1,064)
PBT	9,712	6,153	6,789	9,591	11,781	17,135	12,974	14,642	16,181	16,593	17,775	17,906	20,419
Tax	2,676	1,100	1,551	2,949	3,133	4,560	3,086	3,223	4,893	4,576	3,865	4,342	5,556
Minority Share in profit/Loss	(111)	(114)	(133)	(32)	(133)	(74)	(56)	248	118	(72)	(34)	26	212
Exceptional Item	78	(85)	48	64	26	6	66	(12)	5	(28)	9	(1)	(43)
PAT	6,925	4,939	5,105	6,610	8,515	12,501	9,832	11,667	11,406	11,945	11,220	13,538	14,651
YoY Growth (%)													
USD Revenue	(1.9)	(5.1)	(5.7)	(7.2)	(2.6)	2.2	(0.4)	0.0	0.4	(0.2)	2.7	4.9	6.1
INR Revenue	3.5	(2.0)	(4.6)	(6.2)	(1.2)	3.5	1.4	4.0	2.7	5.1	8.3	12.6	17.7
Gross Profit	(5.9)	(21.2)	(20.4)	(12.4)	2.2	28.7	22.1	12.3	10.9	9.7	14.0	19.7	25.0
EBITDA	(28.8)	(46.0)	(46.5)	(30.3)	16.9	63.2	57.8	32.6	23.7	23.9	30.8	37.4	41.7
EBIT	(36.5)	(59.4)	(57.3)	(38.2)	23.7	111.1	92.0	48.5	34.0	32.7	40.1	48.3	53.3
Net Profit	(38.8)	(61.6)	(60.6)	(40.9)	23.0	153.1	92.6	76.5	34.0	(4.5)	14.1	16.0	28.4
QoQ Growth (%)													
USD Revenue	(4.0)	(2.8)	1.1	(1.6)	0.7	1.9	(1.3)	(1.2)	1.0	1.4	1.5	0.9	2.2
INR Revenue	(4.1)	(2.2)	1.8	(1.8)	1.0	2.4	(0.2)	0.7	(0.2)	4.8	2.8	4.7	4.2
EBITDA	(33.8)	(19.9)	6.9	22.8	11.1	11.9	3.4	3.2	3.6	12.0	9.1	8.4	6.9
EBIT	(41.7)	(31.9)	15.9	34.6	16.5	16.2	5.4	4.1	5.1	15.0	11.3	10.2	8.6
Net Profit	(38.0)	(28.7)	3.4	29.5	28.8	46.8	(21.4)	18.7	(2.2)	4.7	(6.1)	20.7	8.2
Margins (%)													
Gross Margin	25.7	22.5	23.9	27.0	26.5	27.9	28.8	29.2	28.7	29.1	30.3	31.0	30.5
EBITDA	10.2	8.3	8.8	10.9	12.0	13.1	13.6	14.0	14.5	15.5	16.4	17.0	17.5
EBIT	6.8	4.7	5.4	7.4	8.5	9.6	10.2	10.5	11.1	12.1	13.1	13.8	14.4
PAT	5.3	3.8	3.9	5.1	6.5	9.4	7.4	8.7	8.5	8.5	7.8	9.0	9.3
SGA	15.5	14.1	15.2	16.1	14.5	14.8	15.2	15.2	14.2	13.7	13.9	14.0	13.0

Source: Company, BOBCAPS Research

Fig 19 – Key Metrics

Key Metrics	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
P and L (Rs mn)													
Revenue	131,590	128,639	131,013	128,713	130,055	133,132	132,856	133,840	133,512	139,949	143,932	150,761	157,119
EBITDA	13,380	10,723	11,465	14,078	15,645	17,502	18,090	18,674	19,352	21,680	23,656	25,653	27,425
PAT	6,925	4,939	5,105	6,610	8,515	12,501	9,832	11,667	11,406	11,945	11,220	13,538	14,651
Vertical Mix (%)													
Communication (Telecom)	37.8	37.0	36.5	36.1	33.1	33.4	32.5	33.2	33.8	32.7	33.1	33.4	32.3
Manufacturing	16.9	17.8	18.1	18.2	18.3	17.2	16.8	17.0	17.5	18.1	18.3	18.1	19.3
Technology,media & entertainment	10.7	11.0	10.5	10.7	13.8	14.3	14.3	13.2	13.3	13.1	13.2	13.5	12.9
Banking,financial services & insurance	16.1	16.1	15.5	16.3	15.7	15.8	16.1	16.7	16.4	16.8	15.5	16.6	16.7
Retail, transport & logistics	7.1	8.2	8.6	7.3	7.7	7.9	8.1	8.1	7.9	8.5	8.7	8.2	8.1
Healthcare and Life sciences				7.2	7.7	7.4	7.7	7.3	7.3	7.3	7.4	7.3	7.3
Others	4.0	10.0	10.8	4.0	3.8	4.0	4.6	4.5	3.9	3.5	3.7	2.9	3.4
Geographical Mix (%)													
North America	51.4	53.3	51.9	50.8	52.4	51.1	50.8	48.4	49.2	49.8	50.6	49.7	48.6
Europe	24.6	23.6	23.8	24.2	23.4	24.0	23.6	25.4	26.0	25.4	25.6	26.0	27.5
Rest of World	24.0	23.2	24.3	25.0	24.2	24.9	25.6	26.2	24.8	24.8	23.9	24.3	23.9
IT Headcount Mix (%)													
Onsite	26.9	26.6	26.1	25.2	24.6	23.7	22.7	22.1	21.4	21.7	22.1	22.2	22.5
Offshore	73.1	73.4	73.9	74.8	75.4	76.3	77.3	77.9	78.6	78.3	77.9	77.8	77.5
IT Utilization (%) (including trainees)	87.0	86.0	88.0	86.0	86.1	86.3	85.6	86.4	85.0	84.4	86.6	86.1	87.0
Clients Concentration (%)													
Top 5 Clients	17.0	17.0	16.0	16.0	15.5	15.1	14.8	16.0	15.6	15.6	15.2	14.9	14.7
Top 10 Clients	27.0	27.0	26.0	26.0	25.1	24.9	24.2	25.0	25.2	24.3	24.3	24.3	24.0
Top 20 Clients	39.0	39.0	39.0	39.0	38.4	38.6	38.0	38.0	39.0	37.1	37.7	38.0	37.3
Number of Client													
1 USD mn +	580	568	558	553	545	545	540	540	529	520	521	512	499
5 USD mn +	190	186	185	190	191	195	191	195	193	194	196	194	194
10 USD mn +	115	114	118	114	113	109	104	106	108	106	111	112	115
20 USD mn +	62	61	63	63	61	61	61	59	60	63	64	66	66
50 USD mn +	26	26	26	23	24	25	25	25	26	26	28	29	33
Employees	148,297	150,604	146,250	145,455	147,620	154,273	150,488	148,731	148,517	152,714	149,616	147,623	146,760
Net employee added	(4,103)	2,307	(4,354)	(795)	2,165	6,653	(3,785)	(1,757)	(214)	4,197	(3,098)	(1,993)	(863)
TTM Attrition (%)	13	11	10	10	10	11	11	12	13	13	12	12.1	11.8
Financial Metrics (USD mn)													
Revenue	1,601	1,555	1,573	1,548	1,559	1,589	1,567	1,549	1,564	1,586	1,610	1,625	1,660
EBITDA	163	129	138	169	188	209	213	217	226	245	264	274	289
EBIT	108	73	84	114	132	153	159	163	172	192	211	223	238
PAT	85	62	62	79	103	150	115	133	131	136	125	145	157
Per Capita (Annualised) - USD													
Revenue	43,176	41,306	43,022	42,575	42,241	41,192	41,664	41,654	42,134	41,539	43,040	44,022	45,255
EBITDA	4,388	3,437	3,766	4,653	5,082	5,414	5,661	5,831	6,081	6,416	7,056	7,436	7,877
EBIT	2,924	1,942	2,311	3,127	3,581	3,961	4,221	4,395	4,634	5,024	5,639	6,031	6,498
PAT	2,279	1,644	1,707	2,172	2,800	3,888	3,070	3,572	3,540	3,562	3,335	3,925	4,282

Source: Company, BOBCAPS Research

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Fig 20 – QoQ and YoY growth of various parameters

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
QoQ Growth													
Total Company	(11.1)	4.9	1.1	(1.8)	0.9	1.9	(1.3)	(1.2)	1.0	1.3	1.5	0.9	2.2
By Geography(%)													
North America	(0.5)	0.7	(1.4)	(3.7)	3.9	(0.7)	(1.9)	(5.9)	2.6	2.6	3.1	(0.8)	(0.1)
Europe	(6.7)	(7.0)	2.2	0.1	(2.6)	4.5	(3.0)	6.3	3.6	(1.2)	2.2	2.7	8.0
Rest of World	(8.2)	(6.1)	5.9	1.3	(2.7)	5.0	1.4	1.2	(4.5)	1.5	(2.3)	2.7	0.6
By Industry (%)													
Communications, Media and Entertainment	(9.5)	(4.9)	(0.2)	(2.7)	(7.6)	2.7	(4.0)	1.0	2.9	(2.0)	2.8	1.9	(1.3)
Manufacturing	2.0	2.0	3.1	(1.0)	1.1	(4.0)	(3.7)	(0.0)	3.8	5.2	2.2	(0.1)	9.0
Technology	(0.3)	(0.1)	(3.5)	0.3	29.7	5.7	(1.6)	(8.5)	1.7	(0.4)	3.0	2.6	(2.0)
Banking,financial services & insurance	(2.8)	(3.1)	(2.3)	3.5	(3.0)	2.4	0.4	2.7	(0.8)	3.8	(6.2)	8.0	2.7
Retail, transport & logistics	(10.3)	12.2	6.1	(16.5)	5.5	5.6	0.9	(1.3)	(1.3)	9.0	4.0	(5.3)	1.2
Healthcare and Life sciences					7.3	(1.8)	2.1	(5.7)	0.3	2.2	3.1	(0.8)	2.2
Others	(62.4)	142.9	9.2	(63.5)	(4.6)	7.8	14.2	(4.2)	(13.2)	(9.1)	7.9	(20.0)	18.9
By Client classification (%)													
Top 5 Clients	(4.0)	(2.8)	(4.8)	(1.6)	(2.5)	(0.4)	(3.9)	7.2	(1.7)	1.3	(0.7)	(1.4)	0.8
Top 10 Clients	(0.3)	(2.8)	(2.6)	(1.6)	(2.8)	1.0	(4.1)	2.2	1.8	(2.3)	1.5	1.1	0.6
Top 20 Clients	(6.4)	(2.8)	1.1	(1.6)	(0.9)	2.5	(2.9)	(1.2)	3.6	(3.5)	3.0	1.9	0.2
YoY Growth													
Total Company	(1.9)	(5.1)	(5.7)	(7.2)	(2.6)	2.2	(0.3)	0.0	0.4	(0.2)	2.7	4.9	6.1
By Geography(%)													
North America	1.6	(0.5)	(1.5)	(4.9)	(0.7)	(2.0)	(2.4)	(4.7)	(5.9)	(2.8)	2.2	7.7	4.9
Europe	(5.4)	(8.7)	(8.0)	(11.2)	(7.3)	4.2	(1.1)	5.0	11.7	5.6	11.2	7.4	12.0
Rest of World	(5.5)	(10.8)	(11.5)	(7.5)	(2.0)	9.6	4.9	4.8	2.9	(0.5)	(4.2)	(2.8)	2.4
By Industry (%)													
Communications, Media and Entertainment	(8.3)	(11.5)	(13.5)	(16.4)	(14.7)	(7.8)	(11.3)	(8.0)	2.5	(2.2)	4.7	5.6	1.4
Manufacturing	8.3	5.3	8.7	6.3	5.3	(0.9)	(7.5)	(6.6)	(4.1)	5.2	11.7	11.6	17.2
Technology	8.2	3.4	(3.9)	(3.6)	25.4	32.7	35.2	23.4	(3.3)	(8.8)	(4.6)	6.9	3.1
Banking,financial services & insurance	(5.5)	(6.5)	(8.1)	(4.8)	(5.0)	0.5	3.3	2.5	4.7	6.1	(0.8)	4.4	8.1
Retail, transport & logistics	(11.9)	(3.9)	(4.6)	(10.8)	4.9	(1.2)	(6.0)	11.0	3.8	7.1	10.4	6.0	8.6
Healthcare and Life sciences								1.4	(5.1)	(1.3)	(0.3)	4.9	6.9
Others	(60.8)	(3.1)	2.9	(63.6)	(7.7)	(59.0)	(57.2)	12.5	2.4	(13.6)	(18.4)	(31.9)	(6.7)
By Client Classification (%)													
Top 5 Clients	(20.6)	(15.1)	(16.2)	(12.6)	(11.3)	(9.0)	(8.1)	0.0	0.9	2.6	6.0	(2.4)	0.1
Top 10 Clients	(11.8)	(8.5)	(9.2)	(7.2)	(9.5)	(5.9)	(7.3)	(3.8)	0.8	(2.5)	3.2	2.1	0.9
Top 20 Clients	(6.7)	(7.4)	(8.1)	(9.5)	(4.1)	1.2	(2.9)	(2.5)	1.8	(4.1)	1.7	4.9	1.5

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**529,883**	**568,154**	**645,179**	**685,293**	**726,265**
EBITDA	69,911	90,341	117,039	129,651	140,956
Depreciation	18,529	18,816	19,628	20,677	21,691
EBIT	51,382	71,525	97,411	108,974	119,265
Net interest inc./(exp.)	(3,217)	(3,374)	(4,445)	(2,178)	(2,178)
Other inc./(exp.)	8,554	319	2,891	5,816	6,980
Exceptional items	0	0	0	0	0
EBT	56,719	68,470	95,857	112,612	124,067
Income taxes	14,002	17,676	24,405	28,153	31,017
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(101)	53	360	140	140
Reported net profit	**42,818**	**50,741**	**71,092**	**84,319**	**92,910**
Adjustments	0	0	0	0	0
Adjusted net profit	**42,818**	**50,741**	**71,092**	**84,319**	**92,910**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	0	0	0	0	0
Other current liabilities	126,740	144,975	154,853	164,606	175,300
Provisions	0	0	0	0	0
Debt funds	160	548	1,089	1,089	1,089
Other liabilities	44,430	52,017	51,800	51,800	51,800
Equity capital	4,424	4,428	4,429	4,429	4,429
Reserves & surplus	269,191	291,726	302,151	320,276	339,015
Shareholders' fund	273,615	296,154	306,580	324,705	343,444
Total liab. and equities	**444,945**	**493,694**	**514,322**	**542,199**	**571,633**
Cash and cash eq.	74,350	84,409	92,818	113,635	135,503
Accounts receivables	115,470	133,577	143,321	152,348	162,246
Inventories	394	1,042	984	984	984
Other current assets	47,117	57,269	61,396	65,263	69,503
Investments	7,836	3,984	4,082	4,082	4,082
Net fixed assets	47,636	44,278	40,193	31,516	21,824
CWIP	206	268	885	885	885
Intangible assets	76,993	84,560	85,810	85,810	85,810
Deferred tax assets, net	18,573	21,864	20,206	20,206	20,206
Other assets	56,370	62,443	64,626	67,471	70,590
Total assets	**444,945**	**493,694**	**514,322**	**542,199**	**571,633**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**61,621**	**62,312**	**91,590**	**104,174**	**113,476**
Capital expenditures	(10,899)	(15,520)	(16,160)	(12,000)	(12,000)
Change in investments	(8,433)	(896)	(959)	(2,844)	(3,119)
Other investing cash flows	0	0	0	0	0
Cash flow from investing	**(19,332)**	**(16,416)**	**(17,119)**	**(14,844)**	**(15,119)**
Equities issued/Others	11	4	1	0	0
Debt raised/repaid	3,686	7,661	47	0	0
Interest expenses	(3,217)	(3,374)	(4,445)	(2,178)	(2,178)
Dividends paid	(39,857)	(45,209)	(62,043)	(66,475)	(74,452)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	**(39,377)**	**(40,918)**	**(66,440)**	**(68,653)**	**(76,630)**
Chg in cash & cash eq.	**(799)**	**10,059**	**8,409**	**20,817**	**21,867**
Closing cash & cash eq.	**74,350**	**84,409**	**92,818**	**113,635**	**135,503**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	47.9	57.3	80.4	87.0	105.1
Adjusted EPS	47.8	57.3	80.3	86.9	105.0
Dividend per share	45.0	51.0	70.0	75.0	84.0
Book value per share	308.9	334.1	345.9	366.3	387.5

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	2.7	2.5	2.2	2.1	2.0
EV/EBITDA	20.2	15.7	12.2	11.1	10.4
Adjusted P/E	31.6	26.4	18.8	17.4	14.4
P/BV	4.9	4.5	4.4	4.1	3.9

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	75.5	74.1	74.2	74.9	74.9
Interest burden (PBT/EBIT)	110.4	95.7	98.4	103.3	104.0
EBIT margin (EBIT/Revenue)	9.7	12.6	15.1	15.9	16.4
Asset turnover (Rev./Avg TA)	169.2	170.4	182.2	186.0	187.7
Leverage (Avg TA/Avg Equity)	1.2	1.2	1.2	1.2	1.2
Adjusted ROAE	15.8	17.8	23.6	26.7	27.8

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	1.9	7.2	13.6	6.2	6.0
EBITDA	40.8	29.2	29.6	10.8	8.7
Adjusted EPS	80.6	19.7	40.3	8.2	20.8
Profitability & Return ratios (%)					
EBITDA margin	13.2	15.9	18.1	18.9	19.4
EBIT margin	9.7	12.6	15.1	15.9	16.4
Adjusted profit margin	8.1	8.9	11.0	12.3	12.8
Adjusted ROAE	15.8	17.8	23.6	26.7	27.8
ROCE	12.4	15.9	20.5	22.2	23.1
Working capital days (days)					
Receivables	80	86	81	81	82
Inventory	NA	NA	NA	NA	NA
Payables	NA	NA	NA	NA	NA
Ratios (x)					
Gross asset turnover	11.1	12.8	16.1	21.7	33.3
Current ratio	1.9	1.9	1.9	2.0	2.1
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	(0.3)	(0.3)	(0.3)	(0.3)	(0.4)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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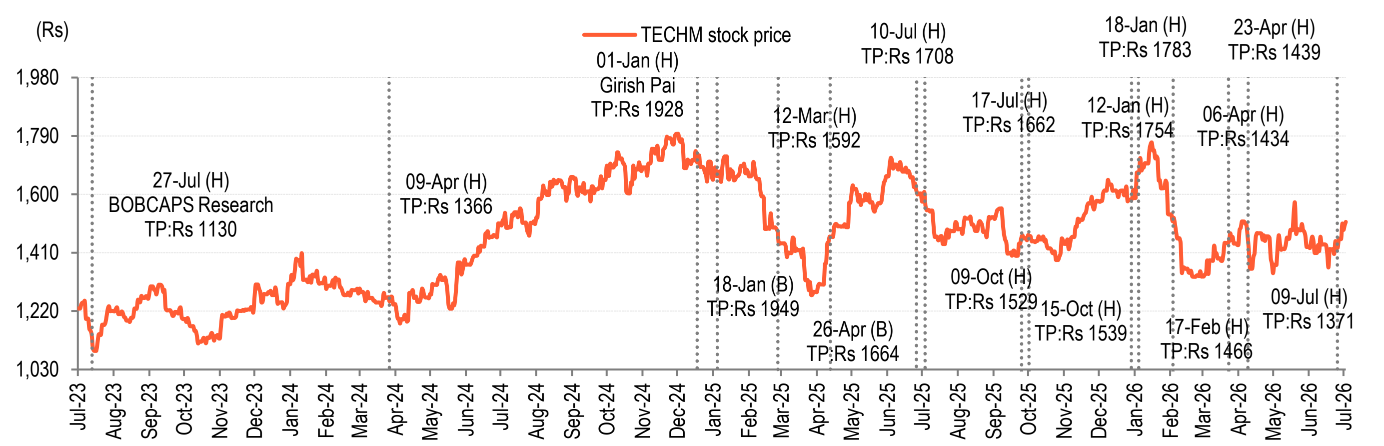

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